

CITY OF SCHLESWIG, IOWA
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2014

Table of Contents ---

| | |
|---|------------|
| Officials | 1 |
| Independent Accountant’s Report on Applying Agreed-Upon Procedures | 2-3 |
| Detailed Recommendations..... | 4 |

Officials

| Name | Title | Term Expires |
|-------------------------------|----------------------|---------------|
| (Before January, 2014) | | |
| Elected Officials | | |
| Syd Winqvist | Mayor | January, 2016 |
| Bob Andresen | Mayor Pro-Tem | January, 2014 |
| Guenter Detlefsen | Council Member | January, 2014 |
| Nick Wilken | Council Member | January, 2014 |
| Troy Kluender | Council Member | January, 2016 |
| Duane Jacoby | Council Member | January, 2016 |
| Appointed Officials | | |
| Jane Smith | City Clerk/Treasurer | Indefinite |
| (After January, 2014) | | |
| Elected Officials | | |
| Syd Winqvist | Mayor | January, 2016 |
| Bob Andresen | Mayor Pro-Term | January, 2018 |
| Troy Kluender | Council Member | January, 2016 |
| Duane Jacoby | Council Member | January, 2016 |
| Lowell Teut | Council Member | January, 2018 |
| Richard Hanlin | Council Member | January, 2018 |
| Appointed Officials | | |
| Jane Smith | City Clerk/Treasurer | Indefinite |

Independent Accountant's Report on Applying Agreed-Upon Procedures —

To the Honorable Mayor and
Members of the City Council
City of Schleswig, Iowa

We have performed an agreed-upon procedures engagement of the City of Schleswig pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide certain minimum oversight of Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Schleswig for the period July 1, 2013 through June 30, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2013 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.

9. We reviewed revenue bonds/notes and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and repayments were properly accounted for.
10. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
13. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of noncompliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Schleswig, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Schleswig, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Schleswig and other parties to whom the City of Schleswig may report. This report is not intended to be and should not be used by anyone other than these specified parties.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
August 15, 2014

Detailed Recommendations

Detailed Recommendations

For the Period July 1, 2013 through June 30, 2014

- (A) **Segregation of Duties** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that incompatible duties are being performed by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

- (B) **Bank Reconciliations** - While bank reconciliations were being performed monthly and properly balanced to the general ledger, we noted one outstanding check as of June 30, 2014 for \$52,300 which was being held by the City.

Recommendation - The City should not issue and hold checks. Checks should be mailed to the payee in a timely manner.

- (C) **Certified Budget** - We tested the Annual Financial Report for the year ended June 30, 2013, which was filed during the period of our engagement. Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the general government function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (D) **Financial Condition** - As of June 30, 2014, the City had a deficit balance of \$12,792.47 in the Sewer Enterprise Fund and deficit balances totaling \$39,822.56 in four separate special revenue funds for economic development loans.

Recommendation - The City should investigate alternatives to eliminate these deficits to return the funds to a sound financial position.